

**FEDLINK Budget
FY2006
Explanation**

Section numbers below correspond to section numbers on the [FY2006 Budget Proposal](#).

1. FY2006 FEDLINK Program Costs

The total costs for FEDLINK for FY2006 are projected to be \$4,932,223. This includes all direct support for the program in FEDLINK and Library of Congress (LC) offices and indirect support (i.e. overhead costs) from LC and the Library Services organizational unit. The budget also provides funding for program reserve requirements for the Revolving Fund. The Fund's reserves are for program shut down cost and bankruptcy risks exposure. This budget provides \$1,283,308 by applying to the forecast FY2005 capital reserve totaling \$1,273,081 an anticipated surplus in FY2006 of \$10,227. The FY2006 budget is \$82,392 (i.e. – 1.6%) less than the FY2005 budget of \$5,014,625. (See [FY2006 FEDLINK Program Cost Analysis](#).)

Direct Costs. Direct costs for FEDLINK operations in the program office, LC Contracts and Grants (C&G) and LC Office of the General Counsel (OGC) total \$4,391,508, which is \$88,959 less than in FY2005. (See [Program Cost Analysis](#), last column, Variance FY05 Budget vs FY06 Budget.)

Personnel expenses at \$3,649,347 are 74.0% of the FEDLINK budget. (See [Program Cost Analysis](#), Subtotal Personal Services.) Salary figures for FY2006 include required within-grade increases, and a combined 3.1% increase in cost of living allowance (COLA) and Washington metro area location differential. The COLA/location differential increase is prorated for nine months to start in January 2006. Benefits are calculated at 27.6%. LC will fund 2 positions in FY2006 and FEDLINK will fund 45.95 full-time equivalents (FTEs). FEDLINK will also fund \$201,389 for direct costs for FEDLINK activities in LC Office of the Chief Financial Officer (compared to \$180,865 in FY2005; see BOC 2591 on page 5) and \$100,000 for ITS support provided to the online FEDLINK registration (compared to \$87,192 in FY2005; see BOC 2508, page 5).

Indirect Costs. The overhead rates for FY2006 are 12.06% for general Library of Congress support and 1.08% for Library Services support. The rates are assessed against the FEDLINK direct budget, minus the reimbursable training. The \$540,725 assessed for FY2006 is \$6,567 or 1.2% more than last year's budgeted indirect cost. (See [FY2006 Transfer/Direct Cost Breakdown Analysis](#), Indirect Program Costs and [FY2006 FEDLINK Program Cost Analysis](#), next to last line.)

Transfer/Direct Cost Breakdown Analysis. To allocate costs between FEDLINK transfer pay and direct pay customer groups and to provide the basis for a fair assessment of fees for each group, since 1991 FEDLINK has conducted an analysis recommended by the LC Inspector General. Since FY2003, the methodology has been extended to incorporate the Direct Express option for electronic retrieval services. The analysis first identifies costs dedicated to support of each group (such as invoice processing and Revolving Fund support for transfer pay customers) and then divides remaining costs proportionally among transfer pay, direct pay and Direct Express according to the number of accounts in each category. For FY2006 the portion of the FEDLINK total budget associated with transfer pay customers is projected at \$4,618,688; this amount will be recovered

through training revenue and the percentage-based transfer pay administrative fee. Support for direct procurements includes both traditional direct pay and the new Direct Express option. Traditional direct pay arrangements will continue to be used in purchasing books, serials and library support services, which represented 24 accounts in FY2004, or 1.17% of the total accounts in the FEDLINK program. Under Direct Express, the FEDLINK program does not collect fees directly from customers. Instead, vendors providing electronic retrieval services pay FEDLINK a 0.75% fee for business authorized by local agency purchase orders cut directly to the vendor and citing FEDLINK IDIQ contracts. In FY2004, 55 vendor accounts, or 2.68% of total accounts, were established for electronic retrieval services. The costs associated with traditional direct pay support are projected at \$97,291, which will be recovered through the direct pay administrative fee. The amount associated with Direct Express is \$216,254, which will be recovered through vendor payments. (See [Breakdown Analysis](#).)

2. Service Activity Base from Current Program.

Assuming essentially flat revenue for FY2006, FEDLINK projects a transfer pay service dollar activity base of \$64,500,000. This figure is then adjusted by subtracting funds moved forward from FY2005 no-year and multi-year accounts because, though part of the base, they will not be assessed another fee for FY2006. An anticipated \$3,336,000 in projected transfer pay service activity will not be assessed a fee. (Under the revolving fund law, fee balances in the operating budget can be moved forward. Therefore, fees are charged on the no-year and multi-year funds only at the time they are brought into the revolving fund.) For traditional direct pay, FEDLINK projects approximately \$7,700,000 in service orders (\$200,000 under \$100,000 and \$7,500,000 over \$100,000, thus subject to the supplemental direct pay fee). For Direct Express, \$31,000,000 in service orders are anticipated to the 55 electronic retrieval vendors who are offering the Direct Express option in FY2005. Overall, very modest growth is expected primarily in electronic retrieval services and monograph acquisitions, due to anticipated new vendors joining the program and improvements in communication about Direct Express.

3. Fee Structure.

Beginning with FY2002, the Library of Congress was authorized to provide services to other federal agencies under Public Law 106-481. This act established a Revolving Fund for the operation of certain programs and activities of the Library of Congress, including the FEDLINK program, and allowed LC to recover its costs for providing services to other agencies. Because LC does not receive an appropriation for its FEDLINK program, all program costs must be totally supported through fees charged to the federal agencies that use FEDLINK services. LC/FLICC establishes appropriate fees by carefully assessing the costs of providing service to transfer pay, direct pay and Direct Express customers and projecting the service activity base (volume of customers and service dollars) for the coming year. Transfer, direct and Direct Express service fees should fairly recover the costs of providing service to each group.

Transfer Pay. The FY2006 transfer pay administrative fee, as in FY2005, will have a three tiered structure, with no change in the fee rates. FEDLINK will charge a 7.75% fee on service dollars up to \$300,000 that are transferred to LC for a single vendor account; a 7.0% fee on service dollars over that threshold per account; and a 5.0% fee on service dollars over \$1,000,000 transferred to LC in a single vendor account. Training fees will remain at \$125/student/full day and \$65/student/half day; workshops conducted at the customer's site remain at \$650/day.

Direct Pay. In FY2006 direct pay fees will remain at a base fee of \$1,200 to establish a direct pay account, plus a supplemental fee of 0.6 of one percent of service dollars over the simplified acquisition threshold of \$100,000.

Direct Express. In FY2006 vendors providing electronic retrieval services who participate in the Direct Express program again will pay FEDLINK 0.75% of business resulting from purchase orders citing the FEDLINK agreements.

4. Projected Revenue from Current Program.

Total FY2006 revenue from current activities is projected to be \$4,942,460. This figure is based in part on projected transfer pay service activity levels of \$61,164,000 (excluding no-year/multi-year funds from prior years), which will yield \$4,459,360 in transfer pay fee revenue. With projected training revenue of \$95,900 and pass-through reimbursable amounts of \$80,900, the revenue from FY2006 transfer pay current activity is estimated at \$4,636,160.

Total direct pay revenue is estimated at \$73,800; Direct Express revenue at \$232,500.

5. Annual Surplus/(Deficit)

The total anticipated FY2006 revenue of \$4,942,460 will cover the FY2006 program costs of \$4,932,233 with a margin of \$10,227, to be added to the accumulated reserve. As always, FEDLINK monitors its obligations and revenue closely throughout the year to be sure that actual revenue is keeping pace with projected expenses and that all actual obligations are fully covered.

6. Accumulated Reserves

Accumulated reserves are projected to be \$1,273,081 at the end of FY2005. By the end of FY2006, adding the anticipated margin of \$10,227 to the FY2005 reserve would result in a reserve of \$1,283,308.